# Community Improvement Commission Of The City Of Alameda, California



Component Unit Financial Statements And Independent Auditor's Reports

> For The Fiscal Year Ended June 30, 2010

Alameda, California

Component Unit Basic Financial Statements and Independent Auditor's Reports

For the year ended June 30, 2010

# Community Improvement Commission of the City of Alameda Basic Financial Statements

For the year ended June 30, 2010

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For the year ended June 30, 2010

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# **COMMUNITY IMPROVEMENT COMMISSION**

# OF THE CITY OF ALAMEDA

# COMMISSION MEMBERS AND ADMINISTRATIVE PERSONNEL

JUNE 30, 2010

### **MEMBERS**

Chair Beverly Johnson
Vice Chair Doug deHaan
Member Marie Gilmore
Member Frank Matarrese

Member Lena Tam

# ADMINISTRATIVE PERSONNEL

Interim Executive Director Ann Marie Gallant

Secretary Lara Weisiger

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### INDEPENDENT AUDITOR'S REPORT

Members of the Community Improvement Commission of the City of Alameda Alameda, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Community Improvement Commission of the City of Alameda (Commission), a component unit of the City of Alameda, California (City), as of and for the year ended June 30, 2010, as listed in the foregoing table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Commission as of June 30, 2010, and the respective changes in financial position for the year then ended, in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Members of the Community Improvement Commission of the City of Alameda Alameda, California Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Introductory Section and Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

San Francisco, California

Cappier & Larson, Inc.

December 13, 2010



# THE COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

This section of the Commission's annual financial report presents management's overview and analysis of its financial activities and performance for the fiscal year ended June 30, 2010. The information presented here should be considered in conjunction with the Basic Financial Statements.

### OVERVIEW OF THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS

The Commission's Annual Financial Report is comprised of two parts:

- 1) Management's Discussion and Analysis, and
- 2) The Basic Component Unit Financial Statements, which include the Commission-wide and the Fund financial statements, as well as the Notes to these financial statements.

# The Basic Component Unit Financial Statements

The Basic Component Unit Financial Statements are comprised of the Commission-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two views of the Commission's financial activities and financial position.

The Commission-wide Financial Statements provide a longer term view of the Commission's activities as a whole and include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Commission as a whole, including its long-term liabilities on the full accrual basis, similar to that used by private corporations. The Statement of Activities provides information on all Commission revenues and all expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the Commission's programs. The Statement of Activities explains, in detail, the change in Net Assets for the year.

The Fund Financial Statements report the Commission's operations in more detail than the Commission-wide statements and focus primarily on the short-term activities of the Commission's Governmental Funds. The Fund Financial Statements measure only current revenues, current expenditures and fund balance. They exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for all the financial activities of the Commission and are presented individually.



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

### **The Commission-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities present information about governmental activities. All of the Commission's basic services are considered to be governmental activities, including general government and development services. These services are supported by general revenues such as property tax increment, and by specific program revenues such as capital grants and developer fees.

Commission-wide financial statements are prepared on an accrual basis, which means they measure the flow of all economic resources of the Commission as a whole.

### **Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of the Commission's most significant funds, defined as Major Funds. The concept of Major Funds, and the determination of which funds are defined as Major Funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually. Major Funds present the major activities of the Commission for the year, and may change from year to year as a result of changes in the pattern of the Commission's activities.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements. Comparisons of Budget and Actual financial information are presented only for the Governmental Special Revenue Funds.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Commission-wide and Fund Financial Statements. The notes to the financial statements follow the basic financial statements and can be found on pages 39-59 of this report.

# Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This information includes budgetary comparison schedules. This information can be found on pages 60-62 of this report.



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

### COMMISSION-WIDE FINANCIAL ACTIVITIES

### A. Statement of Net Assets

Net assets may serve in time as a useful indicator of a government's financial position. Information on net assets is presented in the following summary table:

### Summary of Net Assets June 30, 2010 and 2009 (dollars in millions)

			Per	centage
	Government	tal Activities	C	hange
	<u>2010</u>	<u>2009</u>		
Cash and Investments	\$26.80	\$28.26		-5.2%
Other Assets	6.48	6.05		7.1%
Capital Assets	19.52	19.77		-1.3%
Total assets	\$52.80	\$54.08		-2.4%
Long-Term Debt Outstanding	\$75.68	\$74.73		1.3%
Other Liabilities	4.47	8.21		-45.6%
Total Liabilities	\$80.15	\$82.94		-3.4%
Net Assets				
Restricted	\$16.00	\$19.66		-18.6%
Unrestricted	(43.35)	(48.52)		-10.7%
Total net assets (Deficit)	\$ (27.35)	\$ (28.86)	\$	(0.05)

- Cash and Investments are comprised of \$16.8 million available to fund ongoing Commission operations and \$10.0 million legally restricted under terms of Commission debt instruments or agency agreements.
- Other Assets include \$6.48 million in loan receivables for housing rehabilitation and affordable housing loans, grants programs and for the renovation of the Historic Alameda Theatre and development of a new multiplex cinema.
- Long-term debt is primarily Tax Allocation Bonds, Revenue Bonds, a HUD Section 108 Loan, and Educational Revenue Augmentation Fund (ERAF) Loan program bonds to fund Commission projects and State obligations, which benefit the Commission and the City. Other Liabilities are primarily accounts payable, interest payable, and advances from the City.
- Restricted assets of \$16.0 million include \$7.4 million restricted for debt service and \$8.6 million restricted for housing set-aside projects. The \$49.4 million deficit



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

reflects debt and bond obligations to fund projects that provide revenues for repayment in future periods, while creating economic and community benefit.

### B. Statement of Activities and Changes in Net Assets

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets summarized as follows:

### Summary of Changes in Net Assets June 30, 2010 and 2009 (dollars in millions)

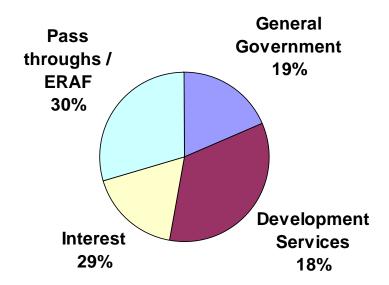
	Govern Activ		Percentage Change
	<u>2010</u>	2009	
Revenues			
Program revenues			
Charges for Services	\$0.12	\$0.03	300.0%
Operating Grants & Contributions	0.00	0.00	0.0%
Total Program Revenues	\$0.12	\$0.03	300.0%
General revenues			
Incremental Property Taxes	\$15.49	\$15.64	-1.0%
Use of Money and Property	0.71	0.63	12.7%
Other	0.37	1.17	-68.4%
Total General Revenues	16.57	17.44	-5.0%
Total Revenues	\$16.69	\$17.47	-4.5%
Program Expenses General Government Pass-Through / ERAF Development Services Interest on Long-Term Debt Total Expenses	\$2.61 4.74 2.48 4.13 \$13.96	\$3.49 2.32 3.92 3.89 \$13.62	-25.2% 104.3% -36.7% 6.2% 2.5%
Change in net assets before transfers	\$2.73	\$3.85	-29.1%
Transfers, net	(1.22)	(5.05)	-75.8%
Change in net assets	1.51	(1.20)	-225.8%
Beginning Net Assets (Deficit)	(28.86)	(27.66)	4.3%
Ending Net Assets (Deficit)	\$ (27.35)	\$ (28.86)	-5.2%



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

- Total revenues were \$16.6 million in 2010. Incremental property tax is the largest revenue source providing \$15.7 million or 94% of revenues. Developer fees and other charges for services totaled \$0.4 million. Interest income and other local taxes were \$0.7 million.
- Total expenditures were \$14.0 million for redevelopment projects and other passthrough obligations.
- The \$1.5 million increase in net assets is primarily due to the receipt of tax increment funds during FY09-10.

The following chart shows expenses by major category for the Commission:





# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

# Financial Analysis of the Commission's Funds

At June 30, 2010, the Commission's governmental funds reported combined fund balances of \$21.2 million. Of this amount, \$16.0 million is legally reserved for low- and moderate-income housing development and debt service. The unreserved, undesignated portion of fund balances of \$5.2 million is available to fund ongoing Commission operations.

Governmental fund revenues totaled \$16.3 million. Governmental expenditures totaled \$15.2 million.

<u>West End Community Improvement Area (WECIP)</u> WECIP revenues consisted primarily of property tax increment of \$5.3 million or almost all of total fund revenue for the year ended June 30, 2010.

WECIP expenditures included tax-increment refunds of \$0.7 million, or 17% of total fund expenditures, to Marina Village property owners based on an Owner's Participation Agreement that requires a refund of Alameda Marina Village Assessment District incremental property taxes as a partial offset of their assessment liability. Other expenditures consist of general government and development services of \$.6 million or 14%, pass-through obligations and ERAF of \$1.8 million or 43%, rental subsidies to Independence Plaza of \$0.8 million or 19%, and debt service of \$0.3 million or 7% of expenditures.

At June 30, 2010, the WECIP Fund Balance comprised \$4.9 million, of which \$0.4 million is reserved for low and moderate-income housing.

**Business and Waterfront Improvement Project Area (BWIP)** BWIP fund revenues consisted primarily of property tax increment of \$9.9 million or 97% of total fund revenue at June 30, 2010. Twenty percent of these funds are obligated to be separately accounted in BWIP's low and moderate-income housing fund.

BWIP fund expenditures consisted primarily of general government and development services of \$1.6 million or 32%, housing development costs of \$.2 million or 4% and pass-through / ERAF obligations of \$3.2 million or 64%.

At June 30, 2010, the BWIP fund balance of \$10.1 million includes \$7.8 million reserved for expenditures on low and moderate-income housing projects.



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

<u>Alameda Point Improvement Project Area (APIP)</u> APIP fund revenues consisted primarily of property tax increment that totaled \$0.3 million or almost all of total fund revenue for the year ended June 30, 2010.

APIP fund expenditures consisted primarily pass-through and ERAF obligations to other taxing entities of \$0.5 million or 74%, general government and development services of \$0.1 million or 13% and debt service of \$0.1 million or 13%. The primary expenditures associated with the general government and development services consisted of salaries, benefits and other administrative costs.

At June 30, 2010, the APIP Fund Balance was comprised of \$0.3 million reserved for expenditures on low- and moderate-income housing projects and a deficit of \$1.8 million in leveraged, undesignated fund balances, to be replenished through future tax increment collections.

<u>Debt Service Funds</u> Aggregate debt service fund balances are \$7.4 million, all reserved for debt service. Aggregate total fund revenues were less than \$0.1 million from interest income.

Aggregate expenditures of \$4.8 million are comprised of principal and interest payments and other fiscal charges. The portion attributable to debt retirement is \$1.2 million or 24%.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

### **Capital Assets**

At the close of FY09-10, the Commission had \$0.8 million in land, and \$18.7 million in buildings, resulting in total capital assets, net of depreciation, of to \$19.5 million.



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

### **Debt Administration**

Each of the Commission's debt issues is discussed in detail in Note 9 to the financial statements found on pages 53-55. A summary of debt outstanding is listed below.

# Outstanding Debt As of June 30, 2010 and 2009 (in millions)

	Government	al Activities	Percentage Change
	<u>2010</u>	2009	
Revenue Bonds	\$1.15	\$1.30	-11.5%
Tax Allocation Bonds	64.67	65.90	-1.9%
ERAF Loan Program	0.47	0.53	-11.3%
HUD Section 109 Loan	6.85	7.00	-2.1%
Total	\$73.14	\$74.73	-2.1%

### **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

### Alameda Point

Alameda Point is the former Naval Air Station (NAS), which was closed and surplused by the United States Navy in 1997. The Alameda Reuse and Redevelopment Authority (ARRA) under Federal Law was created to guide local economic development at Alameda Point and provide property management for the closed naval facility. The NAS is also located within the CIC's Alameda Point Improvement Project (APIP) redevelopment project area.

In May 2007, Alameda selected SCC Alameda Point LLC (Suncal) as its master developer for Alameda Point. In July 2007, Alameda entered into a 24-month Exclusive Negotiation Agreement (ENA) with Suncal, for the development of a mixed-use project on approximately 915 acres. The ENA period expired in July 2010, and the Commission's staff and the Board are currently in the process of developing an alternative process and plan for the development of Alameda Point through the ARRA.



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

# Catellus/Bayport

Catellus and Warmington Homes have completed construction of all 485 homes in the Bayport project, returning nearly 90 acres of dormant naval land back into civilian reuse. The development includes a seven-acre central park, four mini parks, and an elementary school. Of the 485 homes constructed by Warmington Homes California, 48 were moderately priced duplexes sold as part of the project's inclusionary housing obligation.

### **Breakers at Bayport Apartments and Townhouses**

The Community Improvement Commission selected Resources for Community Development (RCD) to develop 62 units of affordable housing on the former Fleet Industrial Supply Center (FISC)/East Housing site. The 52 new apartments and 10 forsale townhouses are located within the boundaries of the Bayport Community, between Atlantic and Wilver "Willie" Stargell Avenue, adjacent to the College of Alameda.

Of the 52 rental units, 34 are 2-bedroom flats and 18 are 3-bedroom townhouses. The rental units are dedicated for very low- to low-income households (to 60% of Area Median Income). The ten for-sale units are 3-bedroom townhouses and were sold to families of moderate-income levels. The project includes a community building and outdoor recreational space. A 59-year affordability covenant was recorded with the sale of each home. Construction is completed on the project. All units have been leased or sold.

### Alameda Landing

In December 2006, the City and CIC approved an amendment to the 2001 Disposition and Development Agreement (DDA) with Catellus for construction of a mixed use project at FISC. Plans call for up to 300 residential units, of which 25% will be affordable to very low-, low- and moderate-income households, 300,000 square feet of retail, 400,000 square feet of office space, and a nine-acre waterfront park.



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

# Wilver "Willie" Stargell Avenue Extension

The Wilver "Willie" Stargell Avenue Extension project is a required mitigation resulting from the original Catellus Mixed-Use EIR, and is a key public roadway improvement required for continued redevelopment of the FISC, Alameda Point, and the entire west side of Alameda. Plans and specifications and engineering are complete. The required right-of-way was secured in August 2008. The City was allocated \$4 million in State Transportation Improvement Project Funds in September 2008. Construction commenced during FY09-10.

### Park Street Streetscape (BWIP Project Area)

Phase Two of this project is in design stages. In addition to a \$700,000 federal grant for construction received, a second federal grant was received for \$490,000. The environmental design work was completed in Fall 2009.

# Historic Theater, Cineplex and Parking Garage

The Commission completed implementation of the historic Alameda Theater, new seven screen Cineplex and new parking garage project to meet the goals of the Downtown Vision Plan and Economic Development Strategic Plan. The historic Alameda Theater and Cineplex operate functionally as one 8-screen movie theater; access to all screens is through the historic Alameda Theater's main entrance. The 341-space garage was constructed adjacent to the Cineplex along Oak Street to provide parking for the movie theater, as well as the surrounding civic center area and Park Street Business District. The Commission also leased two retail spaces in the Alameda Theatre to the Alameda Wine Company and Burgermeister restaurant. The Commission has only ongoing property management expenses pertaining to this project.

# **Island High Housing Project**

Alameda Unified School District (AUSD) has identified the old Island High School property as a possible affordable housing site that could be developed using money from the District Housing Fund. During FY09-10, the CIC worked with AUSD to complete a property appraisal, Phase 1 environmental assessment, financial feasibility analysis and preliminary site plan. If the CIC can acquire the property, it proposes to build an affordable rental housing project at the site.



# Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

# 626 Buena Vista Avenue

Alameda Development Corporation (ADC), in partnership with Habitat for Humanity East Bay, developed eight units of affordable ownership housing. The CIC contributed \$1.4 million to the project. Homeowners were selected and moved in during June 2009. The houses were built using the Habitat self-help "community-build" model, and the homes were sold to low- and moderate-income first-time homebuyers.

# **Shinsei Gardens Affordable Housing Project**

A 1999 Memorandum of Understanding between the City, the Alameda Reuse and Redevelopment Authority, the CIC, the Alameda Housing Authority (AHA), the County of Alameda, and the Alameda Point Collaborative established the roles, responsibilities, and timeframes associated with development of 39 units of new, permanently affordable rental housing on a 2.5-acre site at 401 Stargell Avenue. Resources for Community Development (RCD) is the CIC's non-profit development partner.

The CIC/City pledged a maximum of \$4 million in local funds toward predevelopment and construction costs, including \$600,000 in HOME funds, for the project. RCD secured all of the required financing, and construction began in the summer of 2008 and was substantially complete by June 30, 2009.

### REQUEST FOR INFORMATION

This Community Improvement Commission financial report is intended to provide residents, taxpayers, investors and creditors with a general overview of the Commission's finances. For the convenience of the public, a copy of this report is posted on the City's website (<a href="www.cityofalamedaca.gov">www.cityofalamedaca.gov</a>). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Division at 2263 Santa Clara Avenue, Room 220, Alameda, California, 94501.

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COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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### STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities summarize the entire Commission's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Commission's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Commission's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Commission funds have been eliminated. The Statement of Net Assets reports the difference between the Commission's total assets and the Commission's total liabilities, including all the Commission's capital assets and all its long-term debt. The Statement of Net Assets summarizes the activities of all the Commission's financial position in a single column.

The Statement of Activities and Changes in Net Assets reports increases and decreases in the Commission's net assets. It presents the Commission's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Commission's general revenues are then listed and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

# **Community Improvement Commission of the City of Alameda** Statement of Net Assets

June 30, 2010

ASSETS	Governmental Activities
Current assets:	
Cash and investments	\$ 16,822,632
Restricted cash and investments	9,974,899
Total current assets	26,797,531
Noncurrent assets:	
Loans receivable	6,480,194
Capital assets:	-,, -
Depreciable	811,120
Non-depreciable	18,715,172
Total noncurrent assets	26,006,486
Total assets	52,804,017
LIABILITIES	
Current liabilities:	
Accounts payable	149,683
Accrued payroll	35,179
Interest payable	1,376,226
Pass-through obligations	1,098,236
Refundable deposits	33,113
Compensated absences	56,059
Long-term debt - due within one year	1,722,000
Total current liabilities	4,470,496
Noncurrent liabilities:	
Advances from the City of Alameda	4,258,995
Long-term debt - due in more than one year	71,421,000
Total noncurrent liabilities	75,679,995
Total liabilities	80,150,491
NET ASSETS	
Restricted for:	
Debt service	7,395,843
Housing set-aside projects	8,565,766
Total restricted net assets	15,961,609
Unrestricted	(43,308,083)
Total net assets (deficit)	\$ (27,346,474)

# Statement of Activities and Changes in Net Assets

For the year ended June 30, 2010

				N	et (Expense)
					evenue and
			Program		Changes in
			 Revenues		Net Assets
Functions/Programs		Expenses	harges for Services		overnmental Activities
		Ехрепьеь	 <u>Jei vices</u>		7 ictivities
Governmental activities:					(1 a 1 = 1 = 1)
General government	\$	1,845,351	\$ - 101 017	\$	(1,845,351)
Development services		2,484,318	121,217		(2,363,101)
Pass-through obligation /ERAF		5,504,582 4,127,276	-		(5,504,582)
Interest on long-term debt	<del></del>		 <u> </u>		(4,127,276)
Total governmental activities	<u>\$</u>	13,961,527	\$ 121,217		(13,840,310)
Gene	al revenues:				
Pro	perty tax increment				15,494,892
Use	of money and property				705,334
Mis	cellaneous				364,892
Т	otal general revenues				16,565,118
Trans	fers:				
Tra	nsfers from ARRA				854,084
Tra	nsfers to City of Alameda, net				(2,070,580)
Γ	otal general revenues and transfers				15,348,622
C	hange in net assets				1,508,312
N	et assets (Deficit) - beginning of ye	ar, as restated			(28,854,786)
N	et assets (Deficit) - end of year			\$	(27,346,474)

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FUND FINANCIAL STATEMENTS

# Community Improvement Commission of the City of Alameda Balance Sheet Governmental Funds June 30, 2010

	Major Governmental Funds							
	West End Community Improvement Project Area				Business and Waterfront Improvement Project Area			
		ommunity provement		and Moderate		Community nprovement		and Moderate ome Housing
ASSETS								
Cash and investments	\$	824,828	\$	179,329	\$	6,327,932	\$	7,053,938
Restricted cash and investments		3,814,349		245,640		253,316		-
Loans receivable		-		1,168,233		-		2,308,944
Due from other funds		-		-		-		808,781
Total assets	\$	4,639,177	\$	1,593,202	\$	6,581,248	\$	10,171,663
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$	41,166	\$	-	\$	69,981	\$	27,028
Accrued payroll		12,871		3,168		13,336		5,276
Deferred revenue		-		1,168,233		_		2,308,944
Pass-through obligations		87,638		-		962,143		-
Due to other funds		-		-		253,316		-
Refundable deposits		-		-		-		-
Advances from the City of Alameda		-				3,000,000		
Total liabilities		141,675		1,171,401		4,298,776		2,341,248
Fund Balances:								
Reserved for:								
Low and moderate income housing		-		421,801		-		7,785,686
Debt service		-		-		_		-
Unreserved, designated for:		10.460				20.200		44.720
Unrealized increase in fair value of investments		10,462		-		39,200		44,729
SERAF payments  Capital improvements reported in:		419,837		-		392,315		-
Special Revenue Funds						1,548,750		
Unreserved, undesignated, reported in:		-		-		1,340,730		_
Special Revenue Funds		4,067,203		-		302,207		-
Total fund balances		4,497,502		421,801		2,282,472		7,830,415
Total liabilities and fund balances	\$	4,639,177	\$	1,593,202	\$	6,581,248	\$	10,171,663

		Major Goverr	nmenta	l Funds						
Alameda Poir Improvemen	•		Im Co	provement ommission	]	Community Community Improvement Improvement Commission Commission			T . 1	
ommunity provement	and Moderate me Housing	Theatre/Parking Structure Project	Subordinate Tax Allocation Bonds BWIP		2003 Tax Allocation Bonds BWIP		В	2003 Tax Allocation Bonds WECIP		Total overnmental Funds
\$ 7,641 100,207 -	\$ 365,208 - -	\$ 221,986 - 3,003,017	\$	453,873 161,503 -	\$	475,524 1,262,102 - -	\$	912,373 4,137,782 -	\$	16,822,632 9,974,899 6,480,194 808,781
\$ 107,848	\$ 365,208	\$ 3,225,003	\$	615,376	\$	1,737,626	\$	5,050,155	\$	34,086,506
\$ 7,428 - - 48,455 555,465 - 1,258,995 1,870,343	\$ 4,080 528 - - - - - - - 4,608	\$ - 3,003,017 - - 33,113 - 3,036,130	\$	- - - - - -	\$	- - - - - -	\$	- - - - - -	\$	149,683 35,179 6,480,194 1,098,236 808,781 33,113 4,258,995 12,864,181
- - 100,207	358,279 - 2,321 -	- - - -		- 613,127 2,249		- 1,735,755 1,871 -		5,046,961 3,194		8,565,766 7,395,843 104,026 912,359
-	-	-		-		-		-		1,548,750
(1,862,702)	-	188,873		-		-		<u>-</u>		2,695,581
 (1,762,495)	 360,600	188,873		615,376		1,737,626		5,050,155		21,222,325
\$ 107,848	\$ 365,208	\$ 3,225,003	\$	615,376	\$	1,737,626	\$	5,050,155	\$	34,086,506

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# Reconciliation of the Governmental Funds Balance Sheet

to the Government-Wide Statement of Net Assets

June 30, 2010

Total Fund Balances - Total Governmental Funds	\$ 21,222,325
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Fund Financial statements.	19,526,292
Deferred revenue recorded in the Fund Financial statements resulting from activities in which revenues were earned but funds were not available are classified as revenues in the Government-Wide Financial Statements.	6,480,194
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Fund Financial statements.	(73,143,000)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(1,376,226)
Compensated absences were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	 (56,059)
Net Assets of Governmental Activities	\$ (27,346,474)

# Community Improvement Commission of the City of Alameda Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the year ended June 30, 2010

	Major Governmental Funds						
		Community t Project Area	Business and Waterfront Improvement Project Area				
	Community Improvement	Low and Moderate Income Housing	Community Improvement	Low and Moderate Income Housing			
REVENUES:							
Property tax increment Use of money and property Revenue from other agencies Miscellaneous	\$ 4,234,843 13,200 - 2	\$ 1,058,711 - -	\$ 7,903,570 80,138 121,217 8,118	\$ 1,975,893 121,106 -			
Total revenues	4,248,045	1,058,711	8,113,043	2,096,999			
EXPENDITURES:							
Current:							
General government Development services Marina Village tax increment refunds	527,483 96,208 723,611	61,789	729,198 721,387 -	161,822			
Pass-through obligations/ERAF Housing development costs Rental subsidy	1,776,809 - -	- - 778,565	3,201,349 - -	148,717 -			
Debt service: Principal Interest	32,500 15,268	150,000 88,060	32,500 15,268	-			
Total expenditures	3,171,879	1,078,414	4,699,702	310,539			
REVENUES OVER (UNDER) EXPENDITURES	1,076,166	(19,703)	3,413,341	1,786,460			
OTHER FINANCING SOURCES (USES):							
Transfers in Transfers out Transfers from ARRA Transfers from City of Alameda Transfers to City of Alameda	(2,739,349) - 256 (256,740)	- - - - (52,896)	164,414 (1,047,009) - (1,681,904)	(206,000) - - (46,272)			
Total other financing sources (uses)	(2,995,833)	(52,896)	(2,564,499)	(252,272)			
Tom oner maneing sources (uses)	(2,990,033)	(32,696)	(2,304,499)	(232,272)			
Net change in fund balances	(1,919,667)	(72,599)	848,842	1,534,188			
FUND BALANCES:							
Beginning of year	6,417,169	494,400	1,433,630	6,296,227			
End of year	\$ 4,497,502	\$ 421,801	\$ 2,282,472	\$ 7,830,415			

See accompanying Notes to Basic Financial Statements.

		Major Govern	nmental Funds			
	neda Point Community Improve rovement Project Area Commi		ea Commission Commission Commission			
Community Low and Moderat		e Theatre/Parking Structure Project	Subordinate Tax Allocation Bonds BWIP	2003 Tax Allocation Bonds BWIP	2003 Tax Allocation Bonds WECIP	Total Governmental Funds
257,500	\$ 64,375 5,376		\$ - 4,598	\$ - 2,831	\$ - 43,249	\$ 15,494,892 286,867
-	-	356,772	-	-	-	121,217 364,892
257,500	69,751		4,598	2,831	43,249	16,267,868
42,804	20,969 12,500		51 -	310	5,235 -	1,549,661 833,425
- 526,424	-	. <u>-</u>	-	-	-	723,611 5,504,582
-	-	 	-	-	-	148,717 778,565
-	-	152,000	675,000	465,000	75,000	1,582,000
105,533 674,761	33,469	195,042 350,372	173,769 848,820	793,324 1,258,634	2,684,634	4,070,898 15,191,459
(417,261)	36,282	22,769	(844,222)	(1,255,803)	(2,721,620)	1,076,409
-	- -	(164,414)	848,769 - -	404,240 - 854,084	2,739,349 - -	4,156,772 (4,156,772) 854,084
(24,132)	(8,892			-	- 	256 (2,070,836)
(24,132)	(8,892	(164,414)	848,769	1,258,324	2,739,349	(1,216,496)
(441,393)	27,390	(141,645)	4,547	2,521	17,729	(140,087)
(1,321,102)	333,210	330,518	610,829	1,735,105	5,032,426	21,362,412
(1,762,495)	\$ 360,600	\$ 188,873	\$ 615,376	\$ 1,737,626	\$ 5,050,155	\$ 21,222,325

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	(140,087)
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(239,631)
Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	1,582,000
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year.	(56,378)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Assets.	(56,059)
Revenues from new loans that are funded in this fiscal year that will not be collected for several months after the fiscal year ends are not considered "available" revenue and are classified as deferred revenue in the governmental funds.	
	418,467

1,508,312

Change in Net Assets of Governmental Activities

NOTES TO BASIC FINANCIAL STATEMENTS

Notes to Basic Financial Statements For the year ended June 30, 2010

### 1. BACKGROUND AND PROJECT AREAS

# A. Description of the Reporting Entity

The Community Improvement Commission of the City of Alameda (CIC), California, was established under the provisions of the California Community Redevelopment Law to assist in the economic revitalization of areas located in the City of Alameda, which were determined to be in a blighted condition. The City Council serves as the Governing Board of the Commission, which is a component unit of the City and which is accounted in separate funds established by the City.

The West End Community Improvement Project Area (the WECIP Plan), was adopted in 1983. The Business and Waterfront Improvement Project Area (the BWIP Plan), was adopted in 1991. The WECIP and BWIP project areas were merged in 2003, and the combined areas can incur a maximum of \$210,000,000 in bonded debt, receiving no more than \$691,000,000 in tax increment during the life of the merged (and amended) Redevelopment Plan. Under the 1998 plan, the Alameda Point Improvement Project Area (the APIP Plan), the Commission can incur a maximum indebtedness of \$190,000,000 receiving no more than \$780,000,000 in tax increment through 2046.

The primary source of funds, other than advances from the City and bond proceeds, is derived from property tax increments, which are allocated in the following manner:

- a) The assessed valuation of all property within a Project Area is "frozen" on the date of adoption of the Plan.
- b) Property taxes related to any incremental increase in assessed values after adoption of the Plan are allocated to the CIC, and other taxing authorities receiving taxes from the Project Area. All taxes on the base ("frozen") assessed valuation of the property are allocated to the City and the other taxing entities in original proportion of the tax rate area at the time the Project Area was adopted.

The Commission has no power to levy and collect taxes; any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans. Conversely, any increase in the tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available to pay principal and interest on indebtedness.

The Commission functions as an independent legal entity. The policies are determined by members of the City Council in their capacity as board members of the Commission. All staff work is performed by officials, staff or consultants of the City.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 1. BACKGROUND AND PROJECT AREAS, Continued

#### B. Project Areas

#### West End Community Improvement Project (WECIP)

In July 1983 the City Council approved the WECIP Redevelopment Project Area, which is located adjacent to and south of the Oakland Estuary, and east of Webster Street and the Webster Street Tube (as well as right of way contained in the commercial business street, known as Webster Street). The Project Area is an irregularly shaped area of approximately 256 acres of public and private land, divided into two segments separated by Constitution Way. The majority of the project area contains the 206 acre Marina Village Assessment District.

The Commission has an Owner Participation Agreement extending through 2014 by which it refunds a portion of Alameda Marina Village Assessment District property tax increment to the Alameda Marina Village property owners, as a partial offset of their assessment liability. These refunds have been reported as expenditures in the West End Community Improvement Project Area Special Revenue Fund and totaled \$723,611 for FY 09-10. As a result of the 2003 merger of the BWIP and WECIP project areas, the WECIP area, with no previously negotiated pass-through payments, became subject to AB 1290 pass-through payments. Payments of these pass-throughs amounted to \$127,974 at June 30, 2010.

The assessed valuation of real property within the West End Community Improvement Project Area was \$518,101,608 at June 30, 2010.

#### **Business and Waterfront Improvement Project (BWIP)**

In 1991 the Commission approved the Community Improvement Plan for the BWIP Project Area, which is an irregularly shaped area of approximately 756 acres of public and private land.

As part of the Community Improvement Plan adoption, the Commission entered into Pass-Through Agreements with various taxing entities, which require the Commission to pass through portions of Project Area property tax increment to each taxing entity. In certain cases the Commission retains these pass-through payments until certain projects have been identified. Payments under these pass-through agreements totaled \$1,786,660 for FY 09-10. At June 30, 2010, the Commission held a total of \$92,957, representing funds held on demand in deposit accounts on behalf of the East Bay Regional Park District, and \$338,551 held on demand in a deposit account on behalf of the Alameda Unified School District.

The assessed valuation of real property in the Business and Waterfront Improvement Project Area was \$1,255,213,083 at June 30, 2010.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 1. BACKGROUND AND PROJECT AREAS, Continued

#### B. Project Areas, Continued

#### Alameda Point Improvement Project

In 1998, the Commission adopted the Community Improvement Plan for the Alameda Point Improvement Project (APIP), approximately 2,688 acres of land and water comprised of the former Alameda Naval Air Station and a portion of the Fleet Industrial Supply Center (FISC). The APIP was created after fundamental changes in state law. Assembly Bill 1290 changed the financing structure of redevelopment areas by eliminating negotiated pass-through agreements on a case-by-case basis in favor of pass-throughs made based on a pre-determined, legislatively set formula for all redevelopment areas statewide. Payments under these pass-through agreements totaled \$66,605 for FY 09-10.

The assessed valuation of real property in APIP was \$25,806,032 at June 30, 2010.

#### Merged Area Plan

In March 2003 the Merger/Amendment Plans for BWIP and WECIP were approved. The changes allow the Commission additional legal and financial resources to better alleviate blight conditions and promote economic development in both areas. The revisions to each plan include an APIP/BWIP boundary adjustment to consolidate the East Housing site, which was previously located in the APIP, into the BWIP (exchange area). The fiscal merger of the WECIP and the BWIP was completed to enable funds from the WECIP to be used in the BWIP, and the funds from the BWIP to be used in the WECIP, to alleviate blight. Also, the minor technical amendments, such as extending eminent domain authority and re-establishing it in BWIP and WECIP, may assist the CIC in more effectively implementing its programs through site assemblage to alleviate adverse physical and economic conditions. Ultimately, both areas will become fiscally stronger and better able to eliminate blight.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Property Tax Increment

Alameda County assesses properties, bills, and collects property taxes, (less 2% pass-through payments (HSC 33676) if applicable to a project area) and distributes the taxes to the Commission. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### A. Property Tax Increment, Continued

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Commission in the fiscal year they are assessed, provided they become available as defined above.

#### B. Basis of Presentation

The Commission's Component Unit Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.

These standards require that the financial statements described below be presented.

#### **Commission-Wide Statements**

The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Commission government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### **Fund Financial Statements**

The fund financial statements provide information about the Commission's various funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Commission considers all its funds to be major funds.

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The Commissions has elected to treat all of its funds as major funds.

#### C. Major Funds

#### West End Community Improvement Project Area Community Improvement Fund

This fund accounts for the non-housing property tax increment proceeds and associated redevelopment project costs for the West End Community Improvement Project Area.

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### C. Major Funds, Continued

#### West End Community Improvement Project Area Community Improvement Fund, Continued

Revenues for this fund primarily consist of property tax increment; expenditures include pass-through obligations, project related and general government expenses.

#### West End Community Improvement Project Area Low and Moderate Income Housing Fund

This fund accounts for the required twenty percent low and moderate income housing set-aside from the property tax increment proceeds generated from the West End Community Improvement Project Area and related expenditures.

Revenues for this fund primarily consist of property tax increment set aside; expenditures include rental subsidies to the Independence Plaza senior living apartment complex, project related and general government expenses.

#### Business and Waterfront Improvement Project Area Community Improvement Fund

This fund accounts for the non-housing property tax increment proceeds and associated redevelopment projects costs for the Business and Waterfront Improvement Project Area.

Revenues for this fund primarily consist of property tax increment; expenditures include pass-through obligations, project related and general government expenses

#### Business and Waterfront Improvement Project Area Low and Moderate Income Housing Fund

This fund accounts for the required twenty percent low and moderate income housing set-aside from the tax increment proceeds generated from the Business and Waterfront Improvement Project Area and related expenditures, as well as related developer in-lieu fees and bond proceeds.

Revenues primarily consist of property tax increment set-aside funds. This fund's expenditures include housing rental assistance for Independence Plaza and general government expenses.

#### Alameda Point Community Improvement Project Area Community Improvement Fund

This fund accounts for the non-housing associated redevelopment project costs for the Alameda Point Improvement Project Area.

Revenues primarily consist of property tax increment; expenditures include pass-through obligations and general government expenses.

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### C. Major Funds, Continued

#### Alameda Point Community Improvement Project Area Low and Moderate Income Housing Fund

This fund accounts for the required twenty percent low and moderate income housing set-aside from the property tax increment proceeds generated from the Alameda Point Improvement Project Area and related expenditures.

Revenues primarily consist of property tax increment set-aside; expenditures primarily include general government expenses.

#### Theatre/Parking Structure Project Special Revenue Fund

This fund accounts for funding resources and expenditures for the reconstruction of the Historic Alameda Theatre and the construction of the multi-story Civic Center garage.

The fund's primary funding source consisted of proceeds from the CIC 2003 WECIP Subordinate Tax Allocation Bond and a HUD Section 108 loan. Expenditures include two loans (\$2.8 million of which \$1.4 million will be repaid with percentage rent and \$1.4 million due to pay in year 7 after retirement of a furniture, fixtures, and equipment (FFE) Loan, construction costs for the projects and administrative expenses.

#### Community Improvement Commission Subordinate Tax Allocation Bonds BWIP Debt Service Fund

Bonds were issued on March 14, 2002 to finance various housing and other redevelopment purposes in accordance with the amended Community Improvement Plan for the Business and Waterfront Improvement Project. Bonds are secured by a first pledge of and lien on all tax increment revenue in the project area, except for any parity obligations.

The fund's primary funding source consists of transfers in from BWIP funds generated by the BWIP Exchange Area, and expenditures primarily consist of principal and interest payments for bond debt service.

#### Community Improvement Commission 2003 Tax Allocation Bonds BWIP Debt Service Fund

The 2003 CIC Tax Allocation Refunding Bonds were issued in October 2003 to refund the CIC BWIP Tax Allocation Bonds 2002, Series A. Bonds are secured by a first pledge of and lien on all tax increment revenues generated in the project area, except for any parity obligations.

The fund's primary revenue source consists of transfers in from BWIP; expenditures primarily consist of principal and interest payments for bond debt service.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### C. Major Funds, Continued

#### Community Improvement Commission 2003 Tax Allocation Bonds WECIP Debt Service Fund

The 2003 Community Improvement Commission Subordinate Tax Allocation Bonds were issued December 2003 to finance certain development projects, repay an interfund loan from the City, and fulfill certain obligations contained in an Owner Participation Agreement. Bonds are secured by a first pledge of and lien on all tax increment revenue generated in the project area, except for any parity obligations.

The fund's primary revenue source consists of transfers in from the WECIP Community Improvement fund; expenditures primarily consist of principal and interest payments for bond debt service.

#### D. Basis of Accounting and Measurement Focus

The Commission-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flow takes place.

Governmental funds are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Commission considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property tax increment and interest income.

Non-exchange transactions, in which the Commission gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission may fund programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Commission's policy is first to apply restricted grant resources to such programs, followed by general revenues, if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

#### E. Budgets and Budgetary Accounting

The Commission annually adopts a budget for its special revenue funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed revenues and expenditures become appropriations. The Commission may amend the budget during the fiscal year. The Commission's Executive Director or his or her designee is authorized to transfer budgeted amounts within the fund; however, any revisions that alter the total expenditures must be approved by the Commission. All appropriations lapse at year end.

The annual budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America.

#### 3. CASH AND INVESTMENTS

The Commission's cash, except cash on deposit with fiscal agents, is included in the City's cash and investment pool. Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investments are carried at fair value.

#### A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Commission's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Commission's name and places the Commission ahead of general creditors of the institution.

The Commission and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the Commission employs the Trust Department of a bank as the custodian of certain Commission managed investments, regardless of form.

The Commission's investments are carried at fair value, as required by generally accepted accounting principles. The Commission adjusts the carrying value of its investments to reflect their fair value at fiscal year end, and includes the effects of these adjustments in income for that fiscal year.

#### B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Commission debt instruments or agency agreements.

#### 3. CASH AND INVESTMENTS, Continued

#### B. Classification, Continued

Cash and investments as of June 30, 2010 were presented on the Statement of Net Assets are as follows:

Cash and investments available for operations	\$ 16,822,632
Restricted cash and investments	9,974,899
Total Commission cash and investments	\$ 26,797,531

Cash and investments as of June 30, 2010 are composed of the following categories:

Investments	\$ 26,797,531
Total Commission cash and investments	\$ 26,797,531

#### C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the Commission to invest in the following, provided the credit ratings of the issuers are acceptable to the Commission, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's investment policy where the City's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Repurchase Agreements	270 Days	N/A	20%	No limit
California Local Agency Investment Fund (LAIF)	Upon demand	N/A	\$50,000,000 per account	\$50,000,000 per account
US Treasury Bonds, Notes and Bills	5 years	N/A	No limit	No limit
US Agency and US Government-Sponsored Enterprise Securities	5 years	N/A	75%	25% in each US Agency
Bankers' Acceptances	180 days	N/A	30%	30%
Commercial Paper	270 days	A1, P1	25%	No limit
Negotiable Certificates of Deposit	5 years	AA	30%	No limit
Time Certificates of Deposit	5 years	N/A	30%	No limit
Medium-Term Corporate Notes	5 years	A	30%	No limit
Money Market Mutual Funds	N/A	AAA	20%	No limit
County Agency Investment Fund	Upon demand	N/A	15%	No limit
California Asset Management Program (CAMP)	Upon demand	N/A	No limit	No limit

#### 3. CASH AND INVESTMENTS, Continued

### D. Investments Authorized by Debt Agreements

The Commission must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Commission fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Commission ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Enterprise Securities	No limit	No limit	No limit	No limit
State Obligations	No limit	Not lower than their bond rating	No limit	No limit
Commercial Paper	270 days	A-1+	No limit	No limit
Negotiable Certificates of Deposit	No limit	N/A	No limit	No limit
Time Certificates of Deposit	No limit	N/A	No limit	No limit
Corporate Notes and Bonds	No limit	Not lower than their bond rating	No limit	No limit
Guaranteed Investment Contracts	No limit	Not lower than their bond rating	No limit	No limit
Shares of Beneficial Interest	No limit	Top rating category	No limit	No limit
Money Market Mutual Funds	No limit	Aam	20%	No limit
Bankers' Acceptances	365 days	A-1+	30%	30%
Municipal Bonds*	No limit	AAA	No limit	No limit
California Local Agency Investment Fund (LAIF)	Upon demand	N/A	\$50,000,000 per account	\$50,000,000 per account
Investment Agreements	No limit	AA-	No limit	No limit

#### 3. CASH AND INVESTMENTS, Continued

#### E. Interest Rate Risk

Interest rate risk is the risk that changes in the economic markets will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates.

Information about the sensitivity of the fair values of the Commission's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Commission's investments by maturity:

	1	12 Months		Six to							
Investment Type	Or Less		Or Less		Or Less		Or Less		Т	en Years	Total
Guaranteed Investment Contracts	\$	-	\$	886,783	\$ 886,783						
Money Market Mutual Funds		9,088,116		-	9,088,116						
California Local Agency Investment Fund		16,822,652			 16,822,652						
Total investments	\$	25,910,768	\$	886,783	\$ 26,797,551						

Through the City's investment pool, the Commission is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Commission reports its investment in LAIF at the fair value amounts provided by LAIF, which is the same as the value of the pool share. At June 30, 2010, the fair value approximated is the Commission's cost. The balance available for withdrawal on demand is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments matured in an average of 203 days.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 3. CASH AND INVESTMENTS, Continued

#### F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment when an investment matures. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2009 for each investment type as provided by Moody's:

Investment Type	AAAm	 Total
Money Market Mutual Funds	9,088,116	9,088,116
Totals	\$ 9,088,116	9,088,116
Not rated:  California Local Agency Investment Fund		16,822,652
Guaranteed Investment Contracts		886,783
Total investments		\$ 26,797,551

#### G. Concentration of Credit Risk

The Commission is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by Commission in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2010, the Commission did not have significant investments held by individual funds.

Additional information regarding cash and investments can be found in the City's June 30, 2010 Comprehensive Annual Financial Report.

#### 4. LOANS RECEIVABLE

#### A. Housing Rehabilitations and Affordable Housing Loans

The Commission engages in programs designed to encourage construction or improvement in low to moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the Commission's terms. Some of these loans may be forgiven at the completion of the loan term if all the stipulated conditions are met. Other loans and notes are expected to be repaid in full. The balance of these loans has been offset by deferred revenue, as they are not expected to be repaid during the coming fiscal year. The balance of loans receivable arising from these programs at June 30, 2010 was \$2,907,177.

### Community Improvement Commission of the City of Alameda Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

#### 4. LOANS RECEIVABLE, Continued

#### B. Alameda Development Corporation

During the fiscal year ended June 30, 2000, the Community Improvement Commission entered into an agreement with the Alameda Development Corporation, a non-profit corporation, to loan the corporation funds to be used to develop for-sale housing units for persons with very low and low annual incomes. The loan is secured by a deed of trust and bears interest at 5% for 59 years. In February, 2006 the loan was amended and restated to allow forgiveness and reconveyance of the loan as each unit is completed and sold to a qualified household. The balance of this loan has been offset by deferred revenue as it is not expected to be repaid during the coming fiscal year. As of June 30, 2010, the balance of the loan was \$570,000.

#### C. Multiplex Cinema

As part of a Disposition and Development Agreement as discussed in Note 10C, the Community Improvement Commission entered into a loan agreement with Alameda Entertainment Associates, L.P. in March 2007 for \$2,800,000 for the renovation of the Historic Alameda Theatre and development of a new multiplex cinema. Repayment of \$1,400,000 of this loan will begin in the seventh operating year for twenty years with equal monthly installments. The remaining \$1,400,000 will be repaid by percentage rental amounts from gross operating revenues as established in the Disposition and Development Agreement. An additional loan agreement for \$300,000 was entered into by both parties for furniture fixture and equipment purchases as part of the renovation project. As of June 30, 2010, the Commission has loans outstanding with Alameda Entertainment Associates totaling \$3,003,017.

#### 5. INTERFUND ADVANCES

The City has advanced \$1,258,995 to the Alameda Point Community Improvement Project Area Community Improvement Fund. The above advances are to be repaid in future years from the proceeds of property tax increment as funds become available. These advances bear interest at 6% for FY 09-10.

The Sewer Enterprise Fund advanced \$3,000,000 to the Business and Waterfront Improvement Project Area Community Improvement Fund as matching funds for construction of the Webster Street/Wilver "Willie" Stargell Avenue Intersection Project. The advance bears interest at 3%. The advance is expected to be repaid by April 2014.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 6. INTERFUND TRANSFERS TO AND FROM THE CITY

#### A. Transfers Between Funds

With Commission approval, resources may be transferred from one fund to another. Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

Fund Receiving Transfers	Fund Making Transfer	Amount ransferred
Business and Waterfront Improvement Project Area Special Revenue Fund	Theatre/Parking Structure Project Special Revenue Fund	\$ 164,414
Community Improvement Commission Subordinate Tax Allocation Bonds BWIP Fund	Business and Waterfront Improvement Project Area Community Improvement Fund	848,769
Community Improvement Commission 2003 Tax Allocation Bonds BWIP Fund	Business and Waterfront Improvement Project Area Community Improvement Fund	198,240
Community Improvement Commission 2003 Tax Allocation Bonds BWIP Fund	Business and Waterfront Improvement Project Area Low and Moderate Income Housing Fund	206,000
Community Improvement Commission 2003 Tax Allocation Bonds WECIP Fund	West End Community Improvement Project Area Community Improvement Fund	 2,739,349
		\$ 4,156,772

#### B. Transfers To and From the City

During the fiscal year ended June 30, 2010, the Commission made cash transfers of \$2,070,836 to reimburse the City for housing-in-lieu fees, capital expenditures for infrastructure improvements and its pro rata share of operating expenditures incurred on behalf of the Commission, as determined by the City's approved Cost Allocation Plan.

During the fiscal year ended June 30, 2010, the City made cash transfers of \$256 to reimburse the Commission for ongoing Commission projects. The Alameda Reuse and Redevelopment Authority (ARRA) also made cash transfers of \$854,084 to reimburse the Commission for debt service payments.

#### 7. LOW AND MODERATE INCOME HOUSING GRANTS

Between 1985 and 1989, the Commission expended \$1,114,065 in low and moderate income housing grants to Marina Village for the creation of affordable rental and for-sale housing. The for-sale housing grants allow low - and - moderate-income homeowners to acquire property at an affordable cost. Repayment of the grant is not required, provided the homeowner maintains the residence throughout the life of the Redevelopment Plan, or the homeowner sells the property to another buyer who qualifies under low - and - moderate-income rules, in which case the grant is transferred to the new buyer. The Commission did not record these grants as receivables because management believes repayment of the grants is unlikely.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 8. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to allocate the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until such time as the asset is fully depreciated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

#### A. Capital Asset Activities:

Capital assets at June 30 comprise:

		Balance						Balance
	J	uly 1, 2009	Additions		Deletions		June 30, 2010	
Capital assets not being depreciated:								
Land	\$	811,120	\$		\$	_	\$	811,120
Total capital assets not being depreciated		811,120					_	811,120
Capital assets, being depreciated:								
Building		19,170,491	,			-		19,170,491
Total capital assets being depreciated		19,170,491						19,170,491
Less accumulated depreciation:								
Building		(215,688)		(239,631)				(455,319)
Total accumulated depreciation		(215,688)		(239,631)		-		(455,319)
Governmental activity capital assets	\$	19,765,923	\$	(239,631)	\$		\$	19,526,292

#### B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

### Community Improvement Commission of the City of Alameda Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

#### 9. LONG-TERM DEBT

The Commission's long-term debt issues and transactions were as follows:

		Balance					Balance
	Jι	ıly 1, 2009	 Additions	Deletions		Ju	ne 30, 2010
1992 Revenue Bonds	\$	1,295,000	\$ -	\$	(150,000)	\$	1,145,000
2002 Series A & B Subordinate Taxable							
Tax Allocation Bonds		2,290,000	-		(675,000)		1,615,000
2003 Tax Allocation Refunding Bonds, Series		17,455,000	-		(465,000)		16,990,000
2003 Tax Allocation Bonds, Series A1, A2 & B		46,155,000	 -		(75,000)		46,080,000
Total bonds		67,195,000	 		(1,365,000)		65,830,000
2006 CRA/ERAF Loan Program		530,000	-		(65,000)		465,000
HUD Section 108 Loan		7,000,000			(152,000)		6,848,000
Total	\$	74,725,000	\$ 	\$	(1,582,000)	\$	73,143,000

#### A. 1992 Revenue Bonds

On April 1, 1992, the Alameda Public Financing Authority issued revenue bonds in the principal amount of \$2,740,000. Proceeds from the bond sale were used to refund the West End Improvement Project 1985 Tax Allocation Bonds. Commission tax increment revenue is pledged as repayment for these bonds. Principal and interest are payable semi-annually, each April 1 and October 1 through 2016.

The pledge of future tax increment revenues ends upon repayment of the \$1,671,380 in remaining debt service on the Commission's Revenue Bonds, scheduled to occur in 2016. As disclosed in the bond indenture originating offering documents, pledged future tax increment revenues are expected to provide coverage over debt service of 2.5 over the life of the Bonds. For FY 09-10, tax increment revenues amounted to \$1,058,711, which represented coverage of 4.45 from the \$238,060 in current year debt service.

#### B. 2002 Subordinate Taxable Tax Allocation Bonds, Series A & B

On March 1, 2002, the Community Improvement Commission issued Tax Allocation Bonds in the principal amount of \$4,640,000. Bond proceeds were used to repay a loan from the City to the Community Improvement Commission related to the Commission's Business and Waterfront Improvement Project. The bonds are payable from tax increment revenues received by the project area. Principal and interest are payable semi-annually on February 1 and August 1 through February 2012.

The pledge of future tax increment revenues ends upon repayment of the \$2,652,107 in remaining debt service on the Tax Allocation Bonds, scheduled to occur in 2012. As disclosed in the bond indenture, pledged future tax increment revenues are expected to provide coverage over debt service of 1.25 over the life of the Bonds. For FY 09-10, tax increment revenues amounted to \$7,903,570, which represented coverage of 9.31 over the \$848,769 in current year debt service.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 9. LONG-TERM DEBT, Continued

#### C. 2003 Community Improvement Commission Tax Allocation Refunding Bonds

On October 1, 2003, the Community Improvement Commission issued Tax Allocation Refunding Bonds related to the Business and Waterfront Improvement Area in the principal amount of \$18,535,000, with Series 2003 C issued in the amount of \$17,510,000 and Series 2003 D in the amount of \$1,025.000. The proceeds were used to retire the 2002 Financing Authority Variable Rate Revenue Bonds. The Bonds are payable from tax increment revenues receivable by the Project Area. Principal is payable annually on February 1, with interest payable semi-annually on February 1 and August 1 through February 2032.

#### D. 2003 Community Improvement Commission Tax Allocation Bonds

On December 1, 2003, the Community Improvement Commission issued Series 2003 Al and A2 Tax Allocation Bonds in the principal amount of \$37,390,000 and Series 2003 B Subordinated Tax Allocation Bonds in the principal amount of \$9,205,000, for a total original principal amount of \$46,595,000, for the Commission's merged improvement areas. The proceeds were used to finance certain redevelopment projects, to repay a loan of \$2,200,000 for the project area, and to finance \$12,200,000 of demolition costs incurred in the project area. The Series 2003 Al and A2 are secured by a pledge of certain tax increment revenues for the Merged Project Area. The Series 2003 B are secured by a subordinate pledge of tax revenues. Interest is payable semiannually on March 1 and September 1 through 2033; principal is payable annually on March 1 through 2033.

As disclosed in the official statements of the 2003 Community Improvement Commission Tax Allocation Refunding Bonds and 2003 Community Improvement Commission Tax Allocation Bonds, the two bond issues are considered parity bonds. The pledge of future tax increment revenues ends upon repayment of the \$119,200,776 in remaining debt service on the Community's Tax Allocation Bonds, scheduled to occur in 2033. As disclosed in the bond indenture, pledged future tax increment revenues are expected to provide coverage over debt service of 1.1 over the life of the Bonds. For FY 09-10, tax increment revenues amounted to \$2,117,422, which represented coverage of 1.56 over the \$1,353,860 in current year debt service.

#### E ERAF Loan Program

In April 2007, the Community Improvement Commission borrowed \$695,000 from the California Statewide Communities Development Authority to pay for Educational Revenue Augmentation Fund (ERAF) payments due to Alameda County. Both principal and interest payments are made semi-annually on November and March through March 2016.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 9. LONG-TERM DEBT, Continued

#### F. HUD Section 108 Loan

On January 5, 2006, the City entered into an agreement to borrow \$7,000,000 from the Housing and Urban Development Department. In September 2006, the City drew down \$4,000,000 for the construction of the Alameda Theater Garage Project. In August 2007, the City drew down an additional \$3,000,000 for the same project. Principal and interest payments of both loans are due semi-annually in August and February through 2027. Repayments of the loans are funded by a BEDI (Brownfields Economic Development Initiative) grant, parking garage and retail and cinema lease revenues.

#### G. Debt Service Requirements

Annual debt service requirements for the Commission's long-term debt are shown below:

Year Ending			
June 30,	 Principal	Interest	Total
2011	\$ 1,722,000	\$ 4,040,369	\$ 5,762,369
2012	1,867,000	3,936,191	5,803,191
2013	2,024,000	3,821,093	5,845,093
2014	2,114,000	3,725,016	5,839,016
2015	2,236,000	3,617,100	5,853,100
2016-2020	12,238,000	16,256,695	28,494,695
2021-2025	16,705,000	12,528,332	29,233,332
2026-2030	21,572,000	7,348,836	28,920,836
2031-2033	 12,665,000	 1,584,865	 14,249,865
Total	\$ 73,143,000	\$ 56,858,497	\$ 130,001,497

#### 10. DEBT SERVICE REQUIREMENTS

#### A. Bayport/Alameda Landing

The Community Improvement Commission (CIC) and Master Developer (as discussed in Note 11 below) entered into a Disposition and Development Agreement (DDA) dated June 16, 2000, as amended, to redevelop the former U.S. Navy East Housing, Fleet Industrial Supply Center Annex (FISCA), and Fleet Industrial Supply Center (FISC). Pursuant to the DDA, the Commission agreed to convey to the Master Developer, and the Master Developer agreed to acquire from the CIC, the Property, in Phases, under the Terms and Conditions set forth in the DDA. In December 2006, the CIC approved an amendment to the 2000 DDA reducing the scope of that DDA to East Housing and FISCA only (the Bayport Project), and approved a new DDA for the FISC property (the Alameda Landing Project). Therefore, there is one master developer pursuant to the 2000 DDA and a different master developer redeveloping Alameda Landing pursuant to the 2006 DDA.

# Community Improvement Commission of the City of Alameda Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

#### 10. DEBT SERVICE REQUIREMENTS, Continued

#### A. Bayport/Alameda Landing, Continued

Bayport involves the development of approximately 115 acres of land at the former East Housing and FISC property. Approved land uses include the development of 586 units of new residential housing, a joint use community park and a school. The inclusion of 25 percent affordable housing is in accordance with a requirement of a Settlement Agreement by and between the City, Renewed Hope Housing Advocates and Arc Ecology. Construction is completed on all 495 ownership units. Fifty-eight of the 495 ownership units at Bayport are affordable to moderate income households; fifty-two units of new rental housing for very-low and low-income households were completed in 2006. An additional 39 units of housing affordable to very-low and low-income families is substantially complete. Bayport has generated approximately \$28.5 million in net revenues from land sales proceeds. It is estimated that Bayport will generate a tax allocation bonding capacity of approximately between \$9,000,000 and \$10,500,000 supported by new tax increment generated by the Project, and generate \$19,300,000 in residential profit participation and approximately \$5,000,000 in reimbursements. These revenues will be used to pay for the Commission's obligations under the DDA, which total approximately \$75,100,000 and include demolition and the construction of major backbone infrastructure to support the Bayport project.

Alameda Landing is an approved mixed-use commercial/residential project including 300 residential units, of which 25 percent are affordable units, 300,000 square feet of retail space, 400,000 square feet of office space, parks and open space, and associated infrastructure.

In December 2007, the City Council and Community Improvement Commission approved an amendment to the DDA with Palmtree Acquisition Corporation (PAC) to modify the wharf design, among other changes.

On June 3, 2008, the City Council and Community Improvement Commission approved a second amendment to the Disposition and Development Agreement with PAC for redevelopment of the former Fleet Industrial Supply Center for the Alameda Landing project. The amendment also allows for the early expenditure of funds to secure the Stargell Avenue and Union Pacific rights of way. The expenditure is approximately \$10,000,000.

#### B. Bridgeside Shopping Center Project

In fiscal year 2004, the City entered into an agreement with Regency Realty Group, Inc. (Developer) to develop the Bridgeside Shopping Center Project into an approximately 108,000 square foot addition to a new shopping center consisting of both retail space and office space. As of June 30, 2008, the Developer had completed construction of the project. In addition, as part of the Project, the Developer constructed a gas station and a car wash. Under this agreement, the Developer must expend construction costs of no less than \$10,000,000.

#### 10. DEBT SERVICE REQUIREMENTS, Continued

#### B. Bridgeside Shopping Center Project, Continued

As part of the agreement, the Developer purchased the shopping center property from the Community Improvement Commission for the price paid to the owner by the Community Improvement Commission, plus \$170,000 in acquisition-related expenses. In return, the Community Improvement Commission will reimburse the Developer up to \$1,000,000 at 8% for certain acquisition costs in excess of \$7,000,000 from new tax increment generated from the Center. Groundbreaking was held on November 14, 2005. The Center held a grand opening February 21, 2007, for the center's major anchor tenant, Nob Hill Grocery Store. The Nob Hill gas station opened in summer 2007. A payment of \$273,677 was made toward the \$1,000,000 obligation as of June 30, 2010, with a remaining outstanding balance of \$597,929.

#### C. Downtown Historic Theatre Complex and Parking Garage Project.

On October 16, 2004, the Community Improvement Commission entered into a Disposition and Development Agreement (DDA) and a ground lease with Alameda Entertainment Associates Incorporated for the development of the Historic Alameda Theatre and related Cineplex and parking garage. The developer entered into an Option Purchase Agreement for one parcel of land to be used as the site of the project on Central and Oak Avenues in Alameda. As part of the DDA, the Community Improvement Commission entered into a loan agreement with the Alameda Entertainment Associates L.P., as discussed on Note 4C. In FY 04-05, the Community Improvement Commission purchased the land for the site of the project in accordance with the assigned purchase option for \$811,120. In FY 05-06, the Community Improvement Commission acquired the historic theatre by eminent domain. Project construction was completed in FY 07-08. There were also construction expenses in FY 09-10 resulting from loan disbursement to Alameda Entertainment Associates for the improvement of the Alameda Theatre balcony, reimbursement of tenant improvements for the Burgermeister restaurant pursuant to the lease between the CIC and Burgermeister, and payment of expenditures for final renovation improvements.

#### 11. FLEET INDUSTRIAL SUPPLY CENTER (FISC)

As of June 30, 2010, all 485 residential lots in the former East Housing and FISCA have been transferred to the Master Developer. In addition, ten lots, with affordable townhomes, have been sold to moderate-income households. Two lots, containing 52 units (completed) and 39 units of rental housing affordable to very-low and low-income families, have been conveyed to the Housing Authority. The remaining land in the former FISC property has been re-entitled, pursuant to a December 2006 Disposition and Development Agreement. This property has been re-entitled for a mix of commercial, retail and development uses.

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 12. NET ASSETS AND FUND BALANCE (DEFICIT)

#### A. Net Assets

Net Assets is the excess of all Commission assets over all its liabilities, regardless of fund. Net Assets are divided into two captions, determined at the Commission-wide level, and are described below:

*Restricted* describes that portion of Net Assets restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Commission cannot unilaterally alter. These primarily include debt service requirements and redevelopment funds restricted to low-and-moderate income purposes.

*Unrestricted* describes the portion of Net Assets (Deficit) which has no specific restrictions on it. As a result of specific restrictions on net assets as described above and outstanding debt the Commission has a net deficit for the year ended June 30, 2010.

#### B. Fund Balance

Fund balance consists of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

#### C. Fund Deficits

The Alameda Point Improvement Project Area Community Improvement Fund has a fund deficit in the amount of \$1,762,495 at June 30, 2010.

#### 13. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had departmental expenditures in excess of budget. Sufficient fund balances were available to fund these expenditures:

Fund		propriations	Ex	penditures	 Excess
Special Revenue Fund:					
WECIP Community Improvement	\$	2,277,300	\$	3,171,879	\$ (894,579)
BWIP Community Improvement		4,451,110		4,699,702	(248,592)
APIP Community Improvement		125,160		674,761	(549,601)
Debt Service Fund:					
Subordinate TAB BWIP		848,770		848,820	(50)
2003 TAB BWIP		1,258,300		1,258,634	(334)
2003 TAB WECIP		2,759,640		2,764,869	(5,229)

Notes to Basic Financial Statements, Continued For the year ended June 30, 2010

#### 14. RISK MANAGEMENT

The City and Commission participate in public entity risk pools which provide coverage against liability and workers' compensation claims. Coverage and terms are discussed in the City's Comprehensive Annual Financial Report at Note 12.

#### 15. COMMITMENTS AND CONTINGENCIES

The Commission participates in several Federal and State grant programs. These programs have been audited by the Commission's independent accountants in accordance with the provisions of the Federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Commission expects such amounts, if any, to be immaterial.

The Commission is subject to litigation arising in the normal course of business. In the opinion of the Commission's General Counsel, there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Commission.

#### 16. PRIOR PERIOD ADJUSTMENT

#### Government-Wide Financial Statements:

During the fiscal year 2010 the Commission recorded a prior period adjustment to correct accounting errors related to recording of loans receivable.

	]	Net Assets,	Prior	Period Adjustment			
	as	Previously		]	Net Assets,		
		Reported Revenue		Revenue	as Restated		
Governmental Activities	\$	(29,757,202)	\$	902,416	\$	(28,854,786)	

As a result of the correction in accounting for loans receivable, revenue for the year ended June 30, 2009 was increased by \$902,416.

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REQUIRED SUPPLEMENTARY INFORMATION

### Community Improvement Commission of the City of Alameda Required Supplementary Information For the year ended June 30, 2010

#### 1. BUDGETS AND BUDGETARY ACCOUNTING

The Commission annually adopts a budget for its special revenue funds to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed revenues and expenditures become appropriations. The Commission may amend the budget during the fiscal year. The Commission's Executive Director or his or her designee is authorized to transfer budgeted amounts within the fund; however, any revisions that alter the total expenditures must be approved by the Commission. All appropriations lapse at year end.

The annual budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America.

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - West End Community Improvement Project Area

**Community Improvement Special Revenue Fund** 

	 Budget A	Amou		Actual	Fir	riance with nal Budget Positive
	 Original		Final	Amounts	(1	Negative)
REVENUES:						
Property tax increment	\$ 4,120,000	\$	4,120,000	\$ 4,234,843	\$	114,843
Use of money and property	73,000		73,000	13,200		(59,800)
Miscellaneous	-		-	2		2
Total revenues	4,193,000		4,193,000	 4,248,045		55,045
EXPENDITURES:						
Current:						
General government	518,310		518,310	527,483		(9,173)
Development services	411,000		411,000	96,208		314,792
Marina Village tax increment refunds	742,900		742,900	723,611		19,289
Pass-through obligations (ERAF)	557,320		557,320	1,776,809		(1,219,489)
Debt service:						
Principal	32,500		32,500	32,500		-
Interest	 15,270		15,270	 15,268		2
Total expenditures	2,277,300		2,277,300	 3,171,879		(894,579)
REVENUES OVER (UNDER) EXPENDITURES	 1,915,700		1,915,700	 1,076,166		839,534
OTHER FINANCING SOURCES (USES):						
Transfers out	(2,759,640)		(2,759,640)	(2,739,349)		20,291
Transfers from the City of Alameda	-		-	256		256
Transfers to the City of Alameda	 (256,730)		(256,730)	(256,740)		(10)
Total other financing sources (uses)	 (3,016,370)		(3,016,370)	 (2,995,833)		20,537
Net change in fund balance	\$ (1,100,670)	\$	(1,100,670)	(1,919,667)	\$	(818,997)
FUND BALANCE:						
Beginning of year				 6,417,169		
End of year				\$ 4,497,502		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - West End Community Improvement Project Area Low and Moderate Housing Special Revenue Fund

	Budget Amounts Original Final			Actual Amounts	Variance with Final Budget Positive (Negative)	
REVENUES:						
Property tax increment	\$ 1,030,000	\$	1,030,000	\$ 1,058,711	\$	28,711
Use of money and property	 2,000		2,000	 		(2,000)
Total revenues	 1,032,000		1,032,000	 1,058,711		26,711
EXPENDITURES:						
Current:						
General government	48,860		48,860	61,789		(12,929)
Housing development costs	125,000		60,435	-		60,435
Rental subsidy	714,000		778,565	778,565		-
Debt service:						
Principal	150,000		150,000	150,000		-
Interest	 88,060		88,060	88,060		
Total expenditures	1,125,920		1,125,920	 1,078,414		47,506
REVENUES OVER (UNDER) EXPENDITURES	 (93,920)		(93,920)	(19,703)		(74,217)
OTHER FINANCING SOURCES (USES):						
Transfers to the City of Alameda	(52,880)		(52,880)	(52,896)		(16)
Total other financing sources (uses)	 (52,880)		(52,880)	 (52,896)		(16)
Net change in fund balance	\$ (146,800)	\$	(146,800)	(72,599)	\$	74,201
FUND BALANCE:						
Beginning of year				494,400		
End of year				\$ 421,801		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Business and Waterfront Improvement Project Area Community Improvement Special Revenue Fund

	Budget Amounts Original Final					Actual	Variance with Final Budget Positive	
	Origina	<u>al                                      </u>		Final		Amounts	(]	Negative)
REVENUES:								
Property tax increment	\$ 7,983	3,200	\$	7,983,200	\$	7,903,570	\$	(79,630)
Use of money and property	27	7,500		27,500		80,138		52,638
Revenue from other agencies		-		-		121,217		121,217
Miscellaneous	11	1,000		_		8,118		8,118
Total revenues	8,02	1,700		8,010,700		8,113,043		102,343
EXPENDITURES:								
Current:								
General government	995	5,470		995,470		729,198		266,272
Development services	458	3,600		750,690		721,387		29,303
Pass-through obligations (ERAF)	2,657	7,180		2,657,180		3,201,349		(544,169)
Debt service:								
Principal	32	2,500		32,500		32,500		-
Interest	1	5,270		15,270		15,268		2
Total expenditures	4,159	9,020		4,451,110		4,699,702		(248,592)
REVENUES OVER (UNDER) EXPENDITURES	3,862	2,680		3,559,590		3,413,341		146,249
OTHER FINANCING SOURCES (USES):								
Transfers in		-		164,414		164,414		-
Transfers out	(3,345	5,010)		(3,995,763)		(1,047,009)		2,948,754
Transfers to the City of Alameda	(28)	1,910)		(281,910)		(1,681,904)		(1,399,994)
Total other financing sources (uses)	(3,626	5,920)		(4,113,259)		(2,564,499)		1,548,760
Net change in fund balance	\$ 235	5,760	\$	(553,669)		848,842	\$	1,402,511
FUND BALANCE:								
Beginning of year						1,433,630		
End of year					\$	2,282,472		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Business and Waterfront Improvement Project Area Low and Moderate Housing Special Revenue Fund

	Budget Amounts Original Final				Actual Amounts	Fin I	iance with al Budget Positive Jegative)
REVENUES:							
Property tax increment Use of money and property	\$	1,945,600 44,500	\$	1,945,600 44,500	\$ 1,975,893 121,106	\$	30,293 76,606
Total revenues		1,990,100		1,990,100	 2,096,999		106,899
EXPENDITURES:							
Current:							
General government		96,330		96,330	161,822		(65,492)
Housing development costs		745,000		745,000	148,717		596,283
Total expenditures		841,330		841,330	 310,539		530,791
REVENUES OVER (UNDER) EXPENDITURES		1,148,770		1,148,770	1,786,460		(637,690)
OTHER FINANCING SOURCES (USES):							
Transfers out		(170,495)		(206,000)	(206,000)		-
Transfers to the City of Alameda		(27,792)		(393,087)	 (46,272)		346,815
<b>Total other financing sources (uses)</b>		(198,287)		(599,087)	 (252,272)		346,815
Net change in fund balance	\$	950,483	\$	549,683	1,534,188	\$	984,505
FUND BALANCE:							
Beginning of year					6,296,227		
End of year					\$ 7,830,415		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Alameda Point Community Improvement Project Area Community Improvement Special Revenue Fund

REVENUES: Property tax increment	Budget Amounts  Original Final  \$ 208,670 \$ 208,670				<u> </u>	Actual Amounts 257,500	Fin I	iance with al Budget Positive Jegative)
Total revenues	Ψ	208,670	Ψ	208,670	Ψ	257,500	Ψ	48,830
EXPENDITURES: Current:		· ·		<u> </u>		<u> </u>		
General government		30,060		30,060		42,804		(12,744)
Pass-through obligations (ERAF)		68,380		68,380		526,424		(458,044)
Debt service:								
Interest		26,720		26,720		105,533		(78,813)
Total expenditures		125,160		125,160		674,761		(549,601)
REVENUES OVER (UNDER) EXPENDITURES		83,510		83,510		(417,261)		500,771
OTHER FINANCING SOURCES (USES):								
Transfers to the City of Alameda		24,130		24,130		(24,132)		(48,262)
Total other financing sources (uses)		24,130		24,130		(24,132)		(48,262)
Net change in fund balance	\$	107,640	\$	107,640		(441,393)	\$	(549,033)
FUND BALANCE:								
Beginning of year						(1,321,102)		
End of year					\$	(1,762,495)		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Alameda Point Community Improvement Project Area Low and Moderate Housing Special Revenue Fund

	Budget Amounts Original Final			Actual mounts	Variance with Final Budget Positive (Negative)		
REVENUES:							
Property tax increment	\$	52,170	\$	52,170	\$ 64,375	\$	12,205
Use of money and property		2,500		2,500	 5,376		2,876
Total revenues		54,670		54,670	 69,751		15,081
EXPENDITURES:							
Current:							
General government		19,110		19,110	20,969		(1,859)
Housing development costs		10,000		100,000	 12,500		87,500
Total expenditures		29,110		119,110	 33,469		85,641
REVENUES OVER (UNDER) EXPENDITURES		25,560		(64,440)	 36,282		(100,722)
OTHER FINANCING SOURCES (USES):							
Transfers to the City of Alameda		8,900		8,900	 (8,892)		(17,792)
<b>Total other financing sources (uses)</b>		8,900		8,900	(8,892)		(17,792)
Net change in fund balance	\$	34,460	\$	(55,540)	27,390	\$	82,930
FUND BALANCE:							
Beginning of year					333,210		
End of year					\$ 360,600		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Theatre/Parking Structures Project Special Revenue Fund For the year ended June 30, 2010

	Budget Amounts Original Final				Actual .mounts	Fina Po	ance with I Budget ositive egative)
REVENUES:							
Use of money and property Other	\$	14,455 356,347	\$	14,455 356,347	\$ 16,369 356,772	\$	1,914 425
Total revenues		370,802		370,802	373,141		2,339
EXPENDITURES:							
Development services		28,000		28,000	3,330		24,670
Debt Service:							
Principal		152,000		152,000	152,000		-
Interest		195,042		195,042	195,042		
Total expenditures		375,042		375,042	350,372		24,670
REVENUES OVER (UNDER) EXPENDITURES		(4,240)		(4,240)	 22,769		(27,009)
OTHER FINANCING SOURCES (USES):							
Transfers out		(164,414)		(164,414)	(164,414)		-
Total other financing sources (uses)		(164,414)		(164,414)	(164,414)		
Net change in fund balance	\$	(168,654)	\$	(168,654)	(141,645)	\$	27,009
FUND BALANCE:							
Beginning of year					330,518		
End of year					\$ 188,873		

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SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - Subordinate Tax Allocation Bonds BWIP Debt Service Fund For the year ended June 30, 2010

		Budget 1 Driginal	Amour	nts Final	Į.	Actual Amounts	Final Po	nce with Budget esitive gative)
REVENUES:		711611141				<u> </u>	(110	<u> </u>
	ф	<b>F</b> 000	ф	F 000	ф	4 500	dr.	(400)
Use of money and property	\$	5,000	\$	5,000	\$	4,598	\$	(402)
Total revenues		5,000		5,000		4,598		(402)
EXPENDITURES:								
General government		2,700		2,700		51		2,649
Debt service:								
Principal		675,000		675,000		675,000		-
Interest		173,770		173,770		173,769	-	1
Total expenditures		848,770		848,770		848,820		(50)
REVENUES OVER (UNDER) EXPENDITURES		(843,770)		(843,770)		(844,222)		452
OTHER FINANCING SOURCES (USES):								
Transfers in		848,770		848,770		848,769		(1)
Total other financing sources (uses)		848,770		848,770		848,769		(1)
Net change in fund balance	\$	5,000	\$	5,000		4,547	\$	(453)
FUND BALANCE:								
Beginning of year						610,829		
End of year					\$	615,376		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - 2003 Tax Allocation Bonds BWIP Debt Service Fund For the year ended June 30, 2010

	 Budget <i>I</i> Original	Amou	nts Final	Actual Amounts	Fin I	iance with al Budget Positive Jegative)
	 Juginai		riiiai	 Amounts	(1)	legative)
REVENUES:						
Use of money and property	\$ 71,500	\$	71,500	\$ 2,831	\$	(68,669)
Total revenues	71,500		71,500	2,831		(68,669)
EXPENDITURES:						
General government Debt service:	3,000		3,000	310		2,690
Principal	793,300		793,300	465,000		328,300
Interest	 465,000		465,000	793,324		(328,324)
Total expenditures	 1,258,300		1,258,300	 1,258,634		(334)
REVENUES OVER (UNDER) EXPENDITURES	 (1,186,800)		(1,186,800)	(1,255,803)		69,003
OTHER FINANCING SOURCES (USES):						
Transfers in	404,240		404,240	404,240		-
Transfers from ARRA	 854,090		854,090	854,084		(6)
Total other financing sources (uses)	854,090		854,090	 1,258,324		404,234
Net change in fund balance	\$ (332,710)	\$	(332,710)	2,521	\$	335,231
FUND BALANCE:						
Beginning of year				1,735,105		
End of year				\$ 1,737,626		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - 2003 Tax Allocation Bonds WECIP Debt Service Fund For the year ended June 30, 2010

	 Budget 1 Original	Amou	nts Final		Actual Amounts	Fin	riance with nal Budget Positive Vegative)
REVENUES:	 		_	-	_		
Use of money and property	\$ 149,000	\$	149,000	\$	43,249	\$	(105,751)
Total revenues	 149,000		149,000		43,249		(105,751)
EXPENDITURES:							
General government	6,000		6,000		5,235		765
Debt service:							
Principal	75,000		75,000		75,000		-
Interest	 2,684,640		2,684,640		2,684,634		6
Total expenditures	 2,759,640		2,759,640		2,764,869		(5,229)
REVENUES OVER (UNDER) EXPENDITURES	 (2,610,640)		(2,610,640)		(2,721,620)		110,980
OTHER FINANCING SOURCES (USES):							
Transfers in	 2,759,640		2,759,640		2,739,349		(20,291)
Total other financing sources (uses)	 2,759,640		2,759,640		2,739,349		(20,291)
Net change in fund balance	\$ 149,000	\$	149,000		17,729	\$	(131,271)
FUND BALANCE:							
Beginning of year					5,032,426		
End of year				\$	5,050,155		

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# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Community Improvement Commission of the City of Alameda Alameda, California

We have audited the financial statements of the Community Improvement Commission (Commission) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the basic financial statements of the Commission are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Commission's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting control that we consider to be material weaknesses, as defined above.

Members of the Community Improvement Commission of the City of Alameda Alameda, California Page 2

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commission, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

San Francisco, California

Cappien & Carson, Inc.

December 13, 2010